

NEW GAS TARIFF FORMULA

PROPOSED MODIFICATIONS
OF THE CONDITIONS OF
BRITISH GAS' AUTHORISATION

Published By
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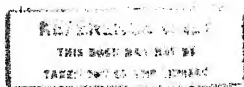
Notice of Proposal to Modify the Conditions of British Gas PLC's Authorisation by Agreement

The Director General of Gas Supply (hereafter called "the Director") pursuant to section 23(2) of the Gas Act 1986 (c.44) (hereafter referred to as "the Act"), hereby gives notice as follows: -

1. The Director proposes to make modifications of the conditions of the authorisation dated 28th July 1986 which has effect as if granted under section 7 of the Act to British Gas public limited company to the effect set out in pages 4 to 10 of this publication so that paragraphs 1(A) and 2 of the proposed modifications come into operation on 1st January 1992 and the remainder of the proposed modifications come into operation on 1st April 1992.
2. The reasons why the Director proposes to make the modifications are stated in pages 2 and 3 of, read with the Annex to, this publication.
3. Any representations or objections with respect to the proposed modifications may be made to the Director at the Office of Gas Supply, Southside, 105 Victoria Street, London SW1E 6QT before 30th November 1991.

14th October 1991.

Director General of Gas Supply.



INTRODUCTION

British Gas is subject to a restriction, in Condition 3 of its Authorisation as a public gas supplier, on the prices it can charge to tariff customers. The condition limits total revenue per therm in the tariff market under a formula whose general shape is as follows:

$$\text{RPI} - 2 + Y$$

The effect is that for part of its costs (called "non-gas costs"), British Gas can increase prices in line with the rate of inflation minus two percentage points, while the cost of direct gas purchases by British Gas can be passed through directly into prices under the Y element of the formula.

In June 1990, OFGAS announced that it intended to review whether this formula operated in the public interest. In April 1991 OFGAS announced the outcome of this review, and confirmed that its package of measures had been accepted by British Gas. The changes required by this package are to be reflected in modifications to British Gas' Authorisation and a list of these proposed modifications is attached to this note. The note below explains the reasons why these modifications are proposed. Comments or representations from anyone with an interest are invited. They should be received by November 30th. OFGAS has published a series of background papers on the following aspects of the proposals: Gas Regulation, the Environment and Energy Efficiency; Economic Aspects; Tariff Structures, and Standards of Service.

OBJECTIVES OF THE REVIEW

At the outset of the review, OFGAS set out its primary objectives. These were as follows:

- i) **To secure a fair price for consumers.** This reflects the duty of the Director General of Gas Supply in section 4 (2) (a) of the Gas Act 1986 to exercise his functions in the manner best calculated to protect the interests of gas consumers in respect, amongst other things, of the prices charged.
- ii) **To allow British Gas to earn a reasonable rate of return.** Section 4 (1) (b) of the Act requires the Director General in exercising his functions to seek to secure that gas suppliers are able to finance the provision of gas supply services.
- iii) **To provide incentives to increased efficiency.** The Director General has a duty in section 4 (2) (b) of the Act in exercising his functions to seek to promote efficiency and economy within British Gas and also to promote efficient gas use.
- iv) **To minimise the burden of regulation.** This is consistent with the structure of the Act, and the general approach to regulation in the United Kingdom. It is also, in OFGAS' view, the best way of securing the above objectives.

The combined thrust of the above objectives was to secure **better value for money** for tariff gas customers.

OFGAS PROPOSALS

The proposals announced by OFGAS in April 1991 were designed to achieve the above objectives. The new formula and main elements of the proposals were as follows:

$$\text{RPI} - 5 + \text{GPI} - 1 + E$$

A tighter restriction on non-gas costs. That is, in the non - gas cost part of the formula described above the efficiency factor has been increased from two to five so that this part of the price can only be increased at five percentage points less than the rate of inflation. OFGAS determined this figure in the light of the above objectives. Specifically, it looked at the rate of return which British Gas ought to be able to earn on its tariff business to ensure that the resulting price was *enough* to give a fair return for British Gas and its shareholders; but prices should be at the *minimum* necessary to meet that objective in order to satisfy the criterion of fairness to consumers. On that basis, it concluded that a considerable tightening of the formula was possible. The arguments are set out in detail in OFGAS' background paper "New Gas Tariff Formula : Economic Aspects".

A separate price cap for gas costs. The existing formula is based on a "price cap" - that is a limit on the level of price increases, rather than a limit on British Gas profits. OFGAS considers that this approach is effective in reducing costs and promoting greater efficiency, because it allows the industry to retain a share of the benefits of improved productivity. It is therefore desirable that this general approach should also be applied to gas costs. Under the present formula, these costs can be passed through, and British Gas has limited incentives to reduce those costs, since it is consumers rather than British Gas shareholders who suffer if they are higher than necessary. For the reasons explained in OFGAS' background document on the economic aspects of the formula, gas costs cannot simply be included in the overall price cap formula and need separate treatment. This is provided for in the new gas cost index defined in the modification made by paragraph 4(C) of the attached document.

Energy efficiency. One of OFGAS' main objectives was to ensure that the formula encourages British Gas to consider energy efficiency, as well as energy supply, as a way of meeting consumers' needs for heating, hot water etc. This is provided for in a new element of the formula, "the E Factor". OFGAS' thinking in this area is set out in the paper on "Gas Regulation, the Environment and Energy Efficiency".

Standards of Service. In the existing formula and other elements of the British Gas Authorisation, there is no guarantee that lower prices will not be achieved at the expense of lower standards of service. A new condition 13A is therefore proposed, as set out in the modification made by paragraph 9 of the proposed modifications. This would require that British Gas is to maintain its standards of service, and enable OFGAS to act where for any individual customer British Gas fails to achieve the required standards. In addition, attached as the Annex to this note is a list of "Key Service Standards" which have been agreed with British Gas as representing some of the principal interactions between British Gas and its customers. These are intended to give British Gas customers the surety that the fundamental services in the overall level of service being offered by British Gas will be maintained. If these "Key Service Standards" decline, OFGAS will have to consider whether the formula is continuing to operate in the public interest, or whether, given the lower standards of service, prices should be decreased. The "Key Service Standards" will in due course be included in a more extensive list of standards to be published by British Gas and will, where appropriate, be expressed as performance targets. OFGAS thinking in this area is set out in greater detail in its document on "Standards of Service".

OTHER MODIFICATIONS

Other substantial modifications to the formula itself are as follows:

- i) A *tightening of the thresholds* by which British Gas is allowed to exceed the price levels set in the formula. This amendment is contained in the modifications made by paragraph 5(B) and (C) of the proposed modifications.
- ii) New arrangements will also be introduced to limit the *frequency of price changes*. More than two price changes in one year will require the consent of the Director General. This is contained in the modification made by paragraph 3(A) of the proposed modifications.
- iii) A new *review date* is also provided for, in the modification made by paragraph 7 of the proposed modifications.
- iv) The modification made by paragraph 8(A) of the proposed modifications confirms Condition 4 of the Authorisation which imposes a separate control, within the overall formula, on the level of standing charges. For most consumers, the control remains as at present - that is that these charges should not increase in real terms. However, for larger customers, more flexibility is provided. OFGAS thinking is set out in the document on "Tariff Structures".

FINANCIAL YEAR CHANGE

A final set of changes is due to British Gas' intention to change its financial year. At present, the financial year runs from 1st April to 31st March. In future, British Gas intends to bring its financial year (in formal terms, its accounting reference date) in line with the calendar year. This leads to changes in Conditions 1 and 2 of the Authorisation (See the modifications made by paragraphs 1 and 2 of the proposed modifications). Condition 2 refers to the keeping of separate accounts for the gas supply business. Given that there would be no adverse effect on gas consumers arising from the modification, OFGAS decided that it would be sensible to keep Condition 2 in line with the British Gas financial year.

PROPOSED MODIFICATIONS OF THE CONDITIONS OF THE AUTHORISATION

1. In Condition 1.3 of the authorisation -

- (A) in the definition of "financial year", for the word "April" there shall be substituted the word "January";
- (B) after the definition of "financial year" there shall be inserted the following definition - "Formula Year" means a year commencing on 1st April";
- (C) the definition of "Relevant Year" shall be omitted.

2. In Condition 2.2 of the authorisation -

- (A) in sub-paragraph (b) (i), there shall be inserted at the beginning the words "the period beginning on 1st April 1991 and ending on 31st December 1991," for the words "1st April 1986" there shall be substituted the words "1st January 1992" and for the words "that year" there shall be substituted the words "that period";
- (B) in sub-paragraph (b)(ii), there shall be inserted at the beginning the words "the period beginning on 1st October 1991 and ending on 31st December 1991 and" and for the words "Relevant Year" there shall be substituted the words "financial year";
- (C) in sub-paragraph (c), the words "each financial year" shall be omitted;
- (D) in sub-paragraph (d), for the words "financial year" there shall be substituted the words "the period".

3. In Condition 3.1 of the authorisation -

- (A) for sub-paragraph (a) there shall be substituted the following sub-paragraph - "(a) not increase its prices for tariff customers more than twice in any period of twelve months without the consent of the Director."
- (B) in sub-paragraph (b) -
- (I) for the words "1987" there shall be substituted the words "1992";
- (II) for the word "Relevant", in the first place where it occurs, there shall be substituted the word "Formula";
- (III) for the expression -

$$M_t = \left(1 + \frac{RPI_t - 2}{100}\right) P_{t-1} + Y_t - K_t$$

there shall be substituted the following expression -

$$M_t = \left(1 + \frac{RPI_t - 5}{100}\right) P_{t-1} + \left(\frac{F_t - Z_t}{100}\right) 18.378 * + E_t - K_t$$

where * is a provisional value.

- (IV) in the definitions of " M_t " and " RPI_t ", for the word "Relevant" there shall be substituted the word "Formula";

- (V) for the definition of " P_{t-1} ", there shall be substituted the following definition -

$$P_{t-1} = P_{t-2} \left(1 + \frac{RPI_{t-1} - 5}{100}\right)$$

but, in relation to the Formula Year commencing on 1st April 1992, P_{t-1} (and accordingly, in relation to the Formula Year commencing on 1st April 1993, P_{t-2}) shall have the value of P_{t-1} for the Formula Year commencing 1st April 1992 calculated in accordance with the definition of P_{t-1} as originally included in this sub-paragraph;

- (VI) for the definition of " Y_t " there shall be substituted the following definitions - " F_t = Gas Cost Index in respect of Formula Year t ;

$$Z_t = 100(1.01)^{N-1}$$

in which N = the number of Formula Years between 1st April 1991 and the end of Formula Year t ;

E_t = Allowable Energy Efficiency Cost per therm in Formula Year t ;"

- (VII) in the definition of " K_t ", for the word "Relevant", wherever it occurs, there shall be substituted the word "Formula", the words "(other than the first Relevant Year)" shall be omitted and at the end of the definition of M_{t-1} there shall be added the words "except that, for the purpose of calculating K_t for the Formula Year commencing on 1st April 1992, M_{t-1} shall be calculated in accordance with the formula for finding the Maximum Average Price per therm originally included in this sub-paragraph".

4. In Condition 3.2 of the authorisation -

- (A) for the definitions of "Allowable Gas Cost"

and "Allowable Gas Cost per therm", there shall be substituted the following definitions -

" "Allowable Energy Efficiency Cost"

means costs incurred by the Supplier for the purpose of promoting the efficient use of gas supplied through pipes under schemes which have due regard for the matters as respects which duties are imposed on the Secretary of State and the Director by section 4 of the Act.

"Allowable Energy Efficiency Cost per therm," in relation to a Formula Year, means the Allowable Energy Efficiency Cost incurred in that year divided by the Tariff Quantity in respect of that year."

- (B) in the definition of "Average Price per therm", for the word "Relevant", in both places where it occurs, there shall be substituted the word "Formula";
- (C) for the definitions of "Capacity Charges", "Point of Delivery and "Relevant Quantity" there shall be substituted the following definition:-

"Gas Cost Index", in relation to a Formula Year, means the number calculated as follows:-

- (a) in calculating the number representing the Gas Cost Index -
- (i) any intermediate number shall be expressed to 8 decimal places; and
 - (ii) the number representing the Gas Cost Index shall be expressed to 4 decimal places by ignoring any amount less than 0.00005 and treating any amount between 0.00005 and 0.0001 as 0.0001;
- (b) there shall be found for each index specified in the first column of the Table below (read with the appropriate notes) the value of the index (which, in the circumstances referred to in sub-paragraph (2) below, shall be construed as a reference to the value of such adaptation of the index or such other index as is appropriate in the light of current statistical principles) for the gas years g and g-1 (as defined in Note 1 to the Table) by applying the formula specified with respect to that index in the second column of the Table;
- (c) there shall be calculated for each such index the value of the index for the

Formula Year by means of the following formula -

$$V = \frac{V_{g-1}Q_{g-1}(H_2) + V_g Q_g(H_1)}{Q_{g-1}(H_2) + Q_g(H_1)}$$

where -

V = the value of the index for the Formula Year;

V_{g-1} = the value of the index for gas year g-1;

$Q_{g-1}(H_2)$ = the aggregate quantity of gas in therms supplied by the Supplier to tariff customers and to contract customers in the last six months of gas year g-1;

V_g = the value of the index for gas year g;

$Q_g(H_1)$ = the aggregate quantity of gas in therms supplied by the Supplier to tariff customers and to contract customers in the first six months of gas year g ;

- (d) there shall be found the difference between the value of each index for the Formula Year in question and the value of that index in respect of the Formula Year which commenced on 1st April 1990 specified in the third column of the Table;
- (e) the difference shall be treated respectively as positive or negative according to whether the value of the index for the Formula Year exceeds or does not exceed the value for that index specified in the third column of the Table;
- (f) the difference found under paragraph (d) above in respect of each index shall be divided by the value for that index specified in the third column of the Table and multiplied by the coefficient specified in the fourth column of the Table;
- (g) the resulting numbers in respect of each index shall be added together and the sum shall be added 100.
- (D) in the definitions of "Tariff Quantity" and "Tariff Revenue", for the word "Relevant" there shall be substituted the word "Formula";
- (E) there shall be added at the end the following sub-paragraph -

"(2) Except insofar as the Director consents

TABLE

Indices	Value for gas year g (or g-1 as the case may be) (see note 1)	Value in respect of Formula Year commenced 1st April 1990* (*Provisional Value)	Coefficient
Producer Price Index (see note 2)			
<i>Annual review</i>	Average of the 12 monthly values from July in gas year g-2 (or g-3) to June in gas year g-1 (or g-2)	120.38321597	38.28
<i>Half yearly review</i>	{RV(1) + RV(2)}/2 where: RV(1) = Average of the 6 monthly values from April in gas year g-1 (or g-2) to September in gas year g-1 (or g-2) RV(2) = Average of the 6 monthly values from October in gas year g (or g-1) to March in gas year g (or g-1)	125.57958606	2.08
<i>Quarterly review</i>	{RV(1) + RV(2) + RV(3) + RV(4)}/4 where : RV(1) = Average of the 6 monthly values from April in gas year g-1 (or g-2) to September in gas year g-1 (or g-2) RV(2) = Average of the 6 monthly values from July in gas year g-1 (g-2) to December in gas year g (or g-1) RV(3) = Average of the 6 monthly values from October in gas year g (or g-1) to March in gas year g (or g-1) RV(4) = Average of the 6 monthly values from January in gas year g (or g-1) to June in gas year g (or g-1)	126.52013188	4.51
Electricity sub-group of Fuel and Light Index (see note 3)			
<i>Annual review</i>	Average of the 12 monthly values from July in gas year g-2 (or g-3) to June in gas year g-1 (or g-2)	114.60050474	2.60
<i>Half yearly review</i>	{RV(1) + RV(2)}/2 where: RV(1) = Average of the 12 monthly values from July in gas year g-2 (or g-3) to June in gas year g-1 (or g-2) RV(2) = Average of the 12 monthly values from January in gas year g-1 (or g-2) to December in gas year g (or g-1)	116.95584159	2.76
<i>Quarterly review</i>	{RV(1) + RV(2) + RV(3) + RV(4)}/4 where: RV(1) = Average of the 6 monthly values from April in gas year g-1 (or g-2) to September in year g-1 (or g-2)	123.02335039	0.46

TABLE (CONTINUED)

Indices	Value for gas year g (or g-1 as the case may be) (see note 1)	Value in respect of Formula Year commenced 1st April 1990* (*Provisional Value)	Coefficient
	RV(2) = Average of the 6 monthly values from July in gas year g-1 (or g-2) to December in gas year g (or g-1)		
	RV(3) = Average of the 6 monthly values from October in gas year g (or g-1) to March in gas year g (or g-1)		
	RV(4) = Average of the 6 monthly values from January in gas year g (or g-1) to June in gas year g (or g-1)		
UK Gas Oil Price (see note 4)			
<i>Annual review</i>	Average of the 4 quarterly values from July to September in gas year g-2 (or g-3) to April to June in gas year g-1 (or g-2)	120.90757918	15.27
<i>Half yearly review</i>	{RV(1) + RV(2)}/2 where: RV(1) = Average of the 4 quarterly values from July to September in gas year g-2 (or g-3) to April to June in gas year g-1 (or g-2)	128.59376497	0.94
	RV(2) = Average of the 4 quarterly values from January to March in gas year g-1 (or g-2) to October to December in gas year g (or g-1)		
<i>Quarterly review</i>	{RV(1) + RV(2) + RV(3) + RV(4)}/4 where: RV(1) = Average of the 2 quarterly values from January to March in gas year g-1 (or g-2) to April to June in gas year g-1 (or g-2) RV(2) = Average of the 2 quarterly values from April to June in gas year g-1 (or g-2) to July to September in gas year g-1 (or g-2) RV(3) = Average of the 2 quarterly values from July to September in gas year g-1 (or g-2) to October to December in gas year g (or g-1) RV(4) = Average of the 2 quarterly values from October to December in gas year g (or g-1) to January to March in gas year g (or g-1)	139.50029101	1.08
UK Heavy Oil Price (see note 5)			
<i>Annual review</i>	Average of the 4 quarterly values from July to September in gas year g-2 (or g-3) to April to June in gas year g-1 (or g-2)	67.58264720	11.92

TABLE (CONTINUED)

Indices	Value for gas year g (or g-1 as the case may be) (see note 1)	Value in respect of Formula Year commenced 1st April 1990* (*Provisional Value)	Coefficient
<i>Half yearly review</i>	$\{RV(1) + RV(2)\}/2$ where: RV(1) = Average of the 4 quarterly values from July to September in gas year g-2 (or g-3) to April to June in gas year g-1 (or g-2) RV(2) = Average of the 2 quarterly values from January to March in gas year g-1 (or g-2) to October to December in gas year g (or g-1)	69.30070010	5.79
<i>Quarterly review</i>	$\{RV(1) + RV(2) + RV(3) + RV(4)\}/4$ where: RV(1) = Average of the 2 quarterly values from January to March in gas year g-1 (or g-2) to April to June in gas year g-1 (or g-2) RV(2) = Average of the 2 quarterly values from April to June in gas year g-1 (or g-2) to July to September in gas year g-1 (or g-2) RV(3) = Average of the 2 quarterly values from July to September in year gas year g-1 (or g-2) to October to December in gas year g (or g-1) RV(4) = Average of the 2 quarterly values from October to December in gas year g (or g-1) to January to March in gas year g (or g-1)	71.27352076	2.11

Notes

1. (1) The gas years g, g-1, g-2 and g-3, in relation to a Formula Year, mean respectively the year commencing 6 months after, 6 months before, 18 months before and 30 months before, the commencement of the Formula Year.
- (2) The references in brackets are for computation of values for gas year g-1.
- (3) Any reference to an average is a reference to the arithmetic mean.
2. "Producer Price Index" means the index number published in the Central Statistical Office's "Monthly Digest of Statistics" under the heading "Index numbers of producer prices - Output: home sales - Output of Manufactured Products". If this index is rebased to a different year, a conversion factor shall be calculated by dividing the arithmetic total of the monthly values of this index on the previous base year by the arithmetic total of the monthly values of this index on the new base year for the months (not exceeding the 60 latest months) for which values are published on both bases. The conversion factor shall be applied as a divisor to the values of this index specified, or having effect by virtue of previous application of such a conversion factor as if specified, in the third column of the Table.
3. "Electricity sub-group of Fuel and Light Index" means the index number published in the Central Statistical Office's "Monthly Digest of Statistics" under the heading "General index of retail prices - Fuel and light - Electricity". If this index is rebased to a different month, a conversion factor shall be calculated by dividing the value of the index for the month in which the change occurred on the immediately previous base by the value of the index for that month on the new base. The conversion factor shall be applied as a divisor to the values of this index specified, or having effect by virtue of previous application of such a conversion factor as if specified, in the third column of the Table.
4. "UK Gas Oil Price" means the price published in the Department of Energy's "Energy Trends" under the heading "Prices of fuels purchased by manufacturing industry in Great Britain" and the sub-heading "Gas Oil" for the size category of consumer entitled "Large".
5. "UK Heavy Fuel Oil Price" means the price published in the Department of Energy's "Energy Trends" under the heading "Prices of fuels purchased by manufacturing industry in Great Britain" and the sub-heading "Heavy Fuel Oil" for the size category of consumer entitled "Large";

to the Supplier not doing so, the Supplier shall refer for determination by the Director any question as to -

- (a) whether a scheme for the purpose of promoting the efficient use of energy has due regard for the matters as respects which duties are imposed on the Secretary of State and the Director by section 4 of the Act; or
- (b) if in respect of any period an index referred to in the definition of "Gas Cost Index" contained in sub-paragraph (1) above is not published, is published in error or there is material change in the manner in which the index is compiled or published, what adaptation of the index or what other index is appropriate in the light of current statistical principles."

5. In Condition 3.3 of the authorisation -

- (A) for the word "Relevant", in both places where it occurs, there shall be substituted the word "Formula";
- (B) in sub-paragraph (1), for the words "4 per cent" there shall be substituted the words "2 per cent";
- (C) in sub-paragraph (2), for the words "5 per cent" there shall be substituted the words "3 per cent".

6. In Condition 3.4 of the authorisation -

- (A) for the word "Relevant" wherever it occurs, there shall be substituted the word "Formula";
- (B) in sub-paragraph (3), the words from "as regards" to "thereof" shall be omitted;
- (C) in sub-paragraph (5) -
 - (I) for the words "3 months" there shall be substituted the words "7 months in respect of paragraph (a) below and 3 months in respect of paragraphs (c) to (dd) below";
 - (II) the words from "and for" to "as a Relevant Year" shall be omitted;
 - (III) in paragraph (a), for the words "Allowable Gas Cost" there shall be substituted the words "Gas Cost Index";

(IV) paragraph (b) shall be omitted;

(V) there shall be added at the end the following paragraph -

"(dd) Allowable Energy Efficiency Cost";

(B) in sub-paragraph (6) -

(I) in paragraph (a), for the words "Allowable Gas Cost, Relevant Quantity", there shall be substituted the words "Gas Cost Index", for the words "and Tariff Quantity" there shall be substituted the words "Tariff Quantity and Allowable Energy Efficiency Cost" and the words from "and that" to the end shall be omitted;

(II) paragraph (b) shall be omitted;

(III) the proviso shall be omitted;

(C) sub-paragraph (7) shall be omitted.

7. In Condition 3.5 (2) of the authorisation, for the words "1992" there shall be substituted the words "1997".

8. In Condition 4.1 of the authorisation -

- (A) after the words "tariff customers" there shall be inserted the words "in respect of any premises to which gas is not supplied in excess of 5,000 therms in any period of twelve months";
- (B) for the word "Relevant", in both places where it occurs, there shall be substituted the word "Formula".

9. After Condition 13 of the authorisation there shall be inserted the following condition -

"Condition 13A: Service standards

- 1. The Supplier shall establish, and shall diligently take all reasonable steps to achieve, standards of performance in relation to the provision by the Supplier of gas supply services to tariff customers and potential tariff customers including services relating to -
 - (a) the giving of, and the continuation of the giving of, supplies of gas;
 - (b) the ascertainment of quantities of gas

- (c) the recovery of gas charges; and
 - (d) the prevention of escapes of gas.
2. The standards of performance so established (in this Condition referred to as "the established standards") shall, in particular, govern the making of visits to customers' premises and the response to complaints and enquiries made in person, by telephone, in writing or otherwise in respect of gas supply services.
3. The Supplier shall keep records of the levels of performance achieved by the Supplier (which in circumstances where the Director so directs shall extend to individual cases) in relation to the established standards and the costs incurred by the Supplier in such performance.
4. The Supplier shall not make any change in the established standards without the consent of the Director.
5. The Supplier shall establish and shall operate a scheme for compensating persons affected by failures to meet the established standards.
6. The Supplier shall -
- (a) furnish to the Director; and
 - (b) publish, in such a manner as will secure adequate publicity for them, -
- the established standards and particulars of the scheme established under paragraph 5 above (in this Condition referred to as "the compensation scheme") including an explanation of the principles on which compensation will be made.
- 7.-(1) The Supplier shall furnish to the Director and publish, in such manner as will secure adequate publicity for it, a statement of the levels of performance proposed to be achieved by the Supplier in the period beginning on 1st April 1992 and ending on 31st December 1992 in relation to the established standards.
- (2) The Supplier shall, as soon as practicable after the end of the financial year
- ending on 31st December 1992 and of each subsequent financial year, furnish to the Director and publish, in such a manner as will secure adequate publicity for each of them, -
- (a) a report on -
 - (i) the levels of performance achieved by the supplier in that year in relation to the established standards; and
 - (ii) the operation of the compensation scheme during that year; and
 - (b) a statement of the levels of performance proposed to be achieved by the Supplier in the ensuing financial year in relation to the established standards.
- (3) In respect of the report for the financial year ending on 31st December 1992 the references in sub-paragraph (2)(a)(i) and (ii) above to "that year" shall be construed as references to the period beginning on 1st April 1992 and ending on 31st December 1992.
- 8.-(1) Any statement to be furnished and published under paragraph 7(2)(b) above shall include any proposals for modifying the established standards.
- (2) In formulating any such proposals the Supplier shall take account of any representations with regard to standards of performance in relation to the provision by the Supplier of gas supply services made by the Director to the Supplier in the preceding financial year.
9. The Supplier shall furnish the Director with such information as to -
- (a) the achievement by the Supplier of levels of performance in relation to the established standards;
 - (b) the records kept under paragraph 3 above; and
 - (c) the operation of the compensation scheme,
- as he may from time to time direct."

ANNEX : KEY SERVICE STANDARDS

The following are the key standards agreed after discussion with British Gas. They contain some minor changes from the version put to the company at the outcome of the tariff formula review.

At present all of the standards are expressed in absolute terms but British Gas recognises that by the end of March 1992 the standards will need to be reset, where appropriate, by including performance targets expressed as levels of achievement.

Obtaining a Gas Supply

When a customer makes contact to request a gas supply -

- (a) Where a survey visit is required contact will be made within two working days to arrange an appointment which will be within three working days, or later if requested by the customer.
- (b) Following such a visit a quotation for providing a supply will be despatched within five working days of the visit.
- (c) If no visit is required a quotation will be despatched within five working days of receipt of the enquiry.

Emergency Service

- 1 Uncontrolled gas escapes will be attended to within one hour of the report being received.
- 2 Controlled escapes will be attended to within two hours of the report being received. *(Reported gas escapes are classified as 'uncontrolled' or controlled based on details given by the person making the report. A reported gas escape is classified as controlled where the report clearly indicates that the customer's control tap has been turned off, and the escape of gas has stopped.)*

Continuity of Supply

- 1 Where a customer's gas supply is interrupted, except through the exercise of British Gas' power to disconnect for reasons other than safety, the supply will be restored within one working day unless restoration is impossible due to exceptional circumstances.
- 2 Except in a district supply emergency, if it is necessary to interrupt gas supply to premises occupied by old, disabled or otherwise vulnerable persons the premises will not be left without adequate heating and/or cooking arrangements.

Meter Reading

- 1 For all customers an attempt will be made to read their meters six months after the previous read or attempted read.
- 2 The meters of customers who do not submit their own readings will be compulsorily read no later than 18 months after the last successful reading.
- 3 The meters of all customers will be compulsorily read no later than two years after the last successful reading.

Billing

- 1 Differences between actual and estimated gas usage by tariff customers will be monitored.
- 2 Estimating procedures will ensure that the estimates used favour neither British Gas nor its customers.



Collection

- 1 No later than three months after an unpaid bill has been despatched, clear action will be taken in accordance with condition 12A to prevent debt build up.

Telephone Enquiry Responses

- 1 Customer telephone calls will be answered within 30 seconds of the call being connected.

Customer Contact

- 1 A record will be kept of all customer contacts, requests and complaints where action is required.

Customer Appointments

- 1 Appointments will be made for all visits where work has been requested. Where required appointments will be offered on a morning or afternoon basis and will be kept on that basis.
- 2 If the customer is not available at the premises to be visited a suitable note will be put through the door advising the customer that the appointment has been kept.

Customer Correspondence

- 1 For all customer correspondence a reply will be sent within five working days of receipt of the correspondence. If an interim reply has to be made the reply will indicate when a substantive reply is expected to be sent.
2. For all customer correspondence which can be responded to by a visit contact will be made within two working days of receipt of correspondence. The visit will then be arranged on an agreed date within five working days of that contact, or later if requested by the customer.